

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03

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R 071432Z AUG 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 1867

C O N F I D E N T I A L MEXICO 12773

FOR BOSWORTH FROM ARELLANO

EO 11652: GDS

TAGS: ENRG, MX

SUBJECT: MEXICAN NATURAL GAS

1. SPEAKING IN PLACE OF DIAZ SERRANO TO THE ANNUAL MEETING OF THE U.S.-MEXICO CHAMBER OF COMMERCE, LIC. MARIO COBO GONZALEZ (ASESOR ECONOMICO Y FINANCIERO, PETROLEOS MEXICANOS/RECURSOS ENERGETICOS DE MEXICO) OUTLINED THE PEMEX PROGRAM FOR THE 1977-1982 PERIOD. A LONG SPEECH, COMPLETE WITH AUDIO-VISUAL PRESENTATION, OBVIOUSLY GEARED TO THE U.S. PARTICIPANTS COVERED THE BACKGROUND OF THE NATIONALIZED PETROLEUM INDUSTRY, EXPLORATION STATISTICS, RESERVE DATA, PRODUCTION AND REFINING DATA, PETROCHEMICAL DEVELOPMENT PLANS, GAS POLICY, INTERNAL AND EXTERNAL TRADE DATA FOR PEMEX AND SOME FINANCIAL INFORMATION ON PEMEX. ADDITIONALLY, A SHORT SECTION WAS APPENDED TO THE PRESENTATION RELATING TO POSSIBLE FOREIGN PARTICIPATION IN THE DEVELOPMENT OF MEXICO'S PETROLEUM INDUSTRY. MOST OF THE STATISTICS PRESENTED WERE RESTATEMENTS OF PREVIOUSLY RELEASED DATA.

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2. COBO VERY CLEARLY WAS GIVING THE "GRINGOS" A MESSAGE TO TAKE HOME: NO GAS FOR YOU BAD BOYS. HIS DELIVERY INCLUDED APPROPRIATE PAUSES TO LET THE NEWS SINK IN. FROM THE EXPRESSION ON THE FACES OF SOME OF THE U.S. GAS INDUSTRY REPS HE STRUCK A SENSITIVE NERVE. AT THE HEAD TABLE NATAN WARMAN AND HECTOR HERNANDEZ EXCHANGED VISIBLE AND ALMOST AUDIBLE "GESTOS" STAMPING APPROVAL ON

THE MESSAGE.

3. HOWEVER...IN READING THE SPEECH I FIND AN INTERESTING HEDGE: "SI BIEN EN UN PRINCIPIO SE ANALIZO LA ALTERNATIVA DE EXPORTAR GAS A LOS ESTADOS UNIDOS, EN LA ACTUALIDAD LA POLITICA DEL GOBIERNO FEDERAL AL RESPECTO ES MUY CLARA: NO EXPORTAREMOS, SINO QUE SE UTILIZARA INTEGRAMENTE EN EL PAIS." OR, "IF AT FIRST WE ANALYZED THE ALTERNATIVE OF EXPORTING GAS TO THE UNITED STATES, AT THE PRESENT TIME THE POLICY OF THE FEDERAL GOVERNMENT IS VERY CLEAR: WE WILL NOT EXPORT, BUT USE IT ENTIRELY IN THIS COUNTRY." OBVIOUSLY THE OPERATIVE WORDS HERE ARE "AT THE PRESENT TIME..."

4. IN MY JUDGMENT THE MEXICANS ARE, NOT TOO SUBTLY, ENGAGED IN WHAT THEY MUST VIEW AS A RATHER IMPORTANT NEGOTIATING GAME WITH THEIR RICH BROTHER TO THE NORTH. WERE THEY TO ARTICULATE IT IN ITS SIMPLEST FORM IT MIGHT SOUND SOMETHING LIKE: "WE HAVE GAS WHICH YOU WANT (VERY BADLY JUDGING FROM THE INSISTENCE WITH WHICH YOU KEEP APPROACHING US), AND WE'RE NOT SELLING...UNLESS THE PRICE IS RIGHT."

5. SOME CONFIRMATION OF THE ABOVE HYPOTHESIS CAME DURING THE Q. AND A. PERIOD WHEN ONE OF THE U.S. PARTICIPANTS, IN AN APPARENT SLAP AT THE MEDDLESOME INTERVENTIONS  
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WHICH HAD DERAILED THIS IMPORTANT TRANSACTION, SECONDED COBO IN CONFIRMING THAT MEXICO HAD TRULY DECIDED NOT TO SELL GAS TO THE U.S. WITH A SLIGHTLY ANGUISHED LOOK, COBO RETURNED TO THE MICROPHONE LOOKING FOR ALL THE WORLD LIKE A BUREAUCRAT WHO IS AFRAID HE MAY HAVE EXCEEDED HIS BOSSES' WISHES; HE QUICKLY SAID "LA POLITICA ACTUAL, SUBRAYO ACTUAL, ES DE UTILIZAR EL GAS INTERNAMENTE. POR EL FUTURO, CUANDO LLEGUEMOS AL RIO LO CRUZAREMOS." THAT IS, "THE POLICY AT THIS TIME, AND I UNDERLINE AT THIS TIME, IS TO USE THE GAS INTERNALLY. FOR THE FUTURE, WHEN WE REACH THE RIVER WE'LL CROSS IT."

6. IT MAY HAVE BEEN A FREUDIAN SLIP, BUT I BELIEVE THE METAPHOR HE USED WAS MOST APPROPRIATE--MEXICO WILL CROSS THE RIVER, WITH THE GAS, WHEN THE TIME COMES. REMEMBER THAT EVEN THE "REVISED" PLAN FOR GAS DISTRIBUTION STILL INCLUDES PIPE TO THE BORDER. LINES WHICH CAN BE USED ON SHORT ORDER TO HOOK INTO OUR DISTRIBUTION SYSTEM.

7. MOST "MEXICO HANDS" KNOW HOW RAPIDLY POLICY CAN BE SHIFTED BY THE GOM TO SUIT THEIR BEST INTERESTS. IN OUR DESIRE TO PURCHASE AT LEAST SOME OF THEIR GAS PRODUCTION,

LET'S NOT LOSE SIGHT OF THE FUNDAMENTALS; ECONOMICS OF SPACE AND LOCATION, AND THE CONTINUING NEED FOR THE YANKEE DOLLAR TO REPAY THE BANKERS FOR PAST BINGES.

8. IN SHORT, LET'S NOT BLINK; THIS BULLSLINGING GAME IS FAR FROM BEING CLOSED DOWN.

9. P.S. I'M BRINGING BACK A COPY OF COBO'S SPEECH. ANYONE READING THIS MAIL AND INTERESTED IN HAVING A COPY CAN CONTACT ME ON 632-8386; WILL BE GLAD TO FURNISH A XEROX OF THE DOCUMENT. LUCEY

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## Message Attributes

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